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SILVER AND GOLD.

BY

HENRY H. GIBBS.

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1879.

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SILVER AND GOLD.

ALDENHAM HOUSE,
NEAR ELSTREE,
HERTS.

DEAR MR. CAZALET,

I am much obliged to you for the pamphlet* which you have addressed to me, and, at Mr. Hankey's suggestion, I will make such remarks on it as occur to me.

I think it is the best reasoned and the most persuasive of all the treatises on Bimetallism which have yet appeared, and if, while accepting its arguments in favour of the principles of Currency signified by that rather barbarous word, I propose to add anything to them in the following pages, it is only with the object of touching upon the objections that have been and will be made to the adoption of the double standard, and of showing how far they are or are not capable of being sustained.

* *Bimetallism and its Connection with Commerce.* By Edward Cazalet. London: Effingham Wilson, Royal Exchange.

I agree with you in thinking that the depreciation of Silver and the unsettled state of the market for that metal contribute largely to the present condition of trade; for not only does the low price of Silver inflict heavy losses on the Government of India and upon all who have fixed incomes payable in Silver, but the unsettled state of the market imparts, through the unusual fluctuation of the Exchanges, a character of speculation if not (as Mr. Stanhope says in a speech lately delivered) of gambling, to the business of all those in Gold-using countries who have dealings with the dwellers in countries that use Silver: they can make no just estimate of what they have to receive for their goods; the thing that they do receive is for them a commodity, just as wool is, or bark, or silk, or tea—neither more nor less.

I have been answered as to this point, that the merchant *does* know what he has to receive; for remittances being made in bills, it is all a matter of exchange, which must of necessity be subject to fluctuations.

But I reply that it is precisely because it *is* a matter of exchange that my statement is correct.

What is it that regulates the rate of exchange

between nations? Where their coins are the same in substance, and are equal (or by a fixed calculation are reduced to equality) in weight or fineness, there are only two things which regulate the exchange. First, the cost of transmission of the coin; and second, the greater or less demand for bills in the market from whence the remittance takes place. But in such countries the rate cannot recede below the par of exchange, less the cost of transmission. Thus the computed par of the sovereign, measured in French Gold, being frs. 25·21½, and the cost of transmission being 8 or 9 cts., a rate of frs. 25·12½ causes the English debtor to send Gold rather than send or accept bills.

But if, on the other hand, the coinage is of a substance not recognised as a standard of value by the State to which remittance is made, an additional element of uncertainty comes into the calculation. It matters not whether remittance is made in Silver, or tin, or bark; whether it is at so many pence per dollar, or so many pence per ounce of Silver or tin, or per pound of bark: it is a speculation in produce after all; and accordingly, in Silver-using countries, the exchange with England varies every day, not on the calculable

value of an accepted metal, but on the variable value of an article of produce—on the ever-changing price of Silver in this market.

Excepting for the use of bills of exchange, the Gold-using countries are in a state of undisguised barter with the Silver-using countries; and they are so more obviously with them than they are in the case to which you refer, *i.e.*, with countries using paper money. For the paper is local money, and nothing else, and cannot be remitted; but the Silver is produce also, as well as local money, and is remitted as such, just as wool might be, supplementing and controlling the rate of exchange of remittances by bill.

England, then, has been in a state of barter with India and other Silver-using countries since 1816. How has she been able to bear such an uncivilised condition of commerce? It has only been possible because it has gone on, till of late, unperceived. There has been a safety-valve against the pressure, which has prevented the explosion—a salve for the sore, which has prevented the pain being felt. France has been there with her double standard of Gold and Silver, preserving the equilibrium of the two metals by receiving indifferently the Gold of England and the Silver

of India, and acting as a clearing-house between the two countries.

A certain great economist answered me the other day, that through a long course of years (I forget the precise dates) France had practically only a single standard, and could not therefore have done us this service. I reply, that the fact that one metal practically prevailed in France during a certain time is *nihil ad rem.* She had free mintage all the while for both. That her Gold (or Silver) was exported does not affect the question.

For sixty years, then, saved by this *deus ex machinâ,* England has not suffered at all from this barbarous state of things; but now that the clearing-house has, for a time at least, suspended its operations, the last three or four years have shown us the inconvenience under which we were suffering, and have driven us to seek a remedy.

What shall that remedy be?

Many doctors have been called in, and many have been the prescriptions written for the cure of the patient, and not a few have recommended the medicine with which I also have been contented—"℞ *Patientiæ quant: suff.*

I had thought that the over-production in

America would soon cease, that there must be at last an end to the abnormal flood of Silver poured on the market by the German sales of their demonetized coin, and that trade would revive from its then existing depression. When these things had happened, we were told, and I thought, that all would return to its normal condition, Silver and Gold would bear their accustomed ratio to one another, the losses of the Indian Government would cease, and stability return to our commerce with Silver-using countries.

Trade indeed has not revived, but the American over-production did cease, and, for the present at least, there is a cessation of German Silver sales, and these two circumstances, together with some demand for the Continent, have caused a slight improvement in the price of the metal.

But I see clearly that even if the dead weight of the German Silver were totally removed from the market, in no case could Silver, while treated as a commodity, return to its former position with respect to Gold; for there would still remain one great cause of a lower price in the cessation of the demand for Germany (and some other countries) for coining. India therefore would find its

difficulties alleviated, but not removed; and we could expect no stability in whatever ratio might be arrived at when the actual disturbing causes were removed, so long as the compensating balance afforded by the French double standard was not restored.

A new demonetization of Silver or Gold, a great discovery of either metal, great commercial disturbance in countries using one, while those using the other were in comparative prosperity—either of these causes might again bring about violent disturbance in the relations between Gold and Silver, and renew the evils of which we now complain.

A new influx of Silver and Gold from the mines is, of these disturbing causes, that one of which we need take least account. If such new discoveries are made, we cannot help it; we can neither predict them nor provide against them. If they come, they come; and nothing we can do can influence their coming or not coming. But demonetization by other countries is an evil which we may hasten or prevent. The example of Germany is already followed by some minor nations, and the more there are that adopt this course, the more do those who still use Silver

feel their position to be intolerable; and the result may be that they also will be irresistibly driven to follow the example, and augment the evils which you have pointed out.

France, as I have said, has been till lately our safeguard. But is there any likelihood that she will again assume the position which she formerly held, and which would allow us to treat any excess of production with comparative indifference? None at all, I think, unless by common concert amongst nations.

With the help of such concert we may, I think, find the only remedy that can be permanent; and that is the one for which, under the name of Bimetallism, you plead in the pamphlet before me.

A more obvious remedy would be the universal acceptance of a single metal as the medium of exchange; but you have most clearly shown the disastrous effect which would be produced by the attempt to make that quantity of Gold which now serves for the needs of half the world do duty for the whole.

The existing mass of Gold *would* no doubt be made to suffice; but the transition period, while the reduced quantity was in each country

accommodating itself to the wants of trade would be one of peril, panic, and disaster.

There is, then, no practical possibility of a single precious metal serving for the money needs of the whole world; but I think that the remedy which you propose would provide us with the next best thing, that is to say, with a common metallic basis, which now does, and still would, amply suffice for the needs of commerce. Roughly speaking, half the world uses Gold, and half uses Silver. Your remedy would consist in the whole world using Gold-and-Silver.

There would be no more increase or diminution (consequent on such a measure) in the quantity of circulating medium among nations than if the whole quantity of both metals were fused into an *electrum* (as it has been called), that is to say, a compound metal of Gold and Silver.

Now, what is it that constitutes a fitting material for a medium of exchange among nations and individuals? One amongst many requisites is that its natural cost or rather difficulty of production be considerable, for this is a safeguard against the quantity becoming excessive. But there are other metals and other materials more difficult of access and more costly to produce than either Gold

or Silver. Scarceness alone is not a sufficient qualification, nor imperishableness, nor portableness, necessary as these are.

Nor, on the other hand, is inequality of cost, or cheapness of one portion of the metal used, a bar to its fitness to be a measure of value. That a great portion of the Gold discovered in Australia and California costs half as much per ounce as the Gold discovered in some other countries, is no disparagement to the fitness of cheap and dear Gold alike to serve as a medium of exchange. Why should it be more prejudicial that a metal which costs only a sixteenth to win instead of a half, a metal already employed as a medium of exchange by half the world, should be yoked with Gold in a certain arbitrary proportion to do that service for the whole world?' I can see no difference but one of degree in the two cases, and that the metal in question is white instead of yellow.

The thing that, beyond and above all other qualifications, must be possessed by any one metal proposed as the circulating medium of the world, is the consent of nations; and this being granted, free mintage must be added, producing as its consequence continuous and unrestricted demand.

But neither for a Gold measure of value alone, nor for a Silver measure of value alone, have we that international consent; and I see nothing in the reason of the thing why all nations should not arrive at a common consent to use both together in a certain relative ratio, trusting to free mintage to preserve that ratio, arbitrary though it be.

Consent indeed will invest anything whatever with the dignity of money. National consent makes an inconvertible paper currency serve as money within the borders of a nation; and international consent could make it serve outside those borders; the danger in both cases being the same, only differing in degree, and arising from the facility of production and consequent disturbance of prices, *i.e.*, of the value of such a convention-money as measured in commodities. Yellow cowries might, with the stamp of consent, serve as the money of the world, and I see no reason why white cowries, though more common, should not be joined with them in their monetary functions if there were not enough yellow ones.

Gold and Silver are, as you justly say, a forced currency. They are so as truly as paper or cowries are—only they are a much better one.

But it is from consent alone that all alike derive their powers.

I will now, as I proposed, touch upon some of the principal objections which are commonly urged against a currency, or rather medium of exchange, composed of two metals.

I. It is impossible to regulate by legislative enactment the value of any commodity: Gold and Silver are commodities; therefore it is impossible to fix their relative values.

II. If it be attempted, nature will revolt against it, and that which is in reality and in despite of law the cheaper of the two metals will prevail, and the other will leave the country, as has been the case in our own experience in France both with Gold and Silver.

III. But if it *were* possible, consent is admitted to be necessary; and consent is impossible.

IV. But if consent were possible, and if it sufficed to fix a reasonably approximate ratio between Gold and Silver, there would always be a preference for Gold, which will therefore bear a greater proportionate price; because its bulk being smaller, it is, first, cheaper to transmit, and second, easier to count.

V. Supposing a twofold standard established,

the effects of a new flood of Silver from the mines would be disastrous. It would overwhelm commerce, and give a sudden and dangerous impulse to prices.

VI. We have gone on for sixty years in great prosperity with a single standard. Why change?

VII. It is impracticable; it may suit other nations, but it is impossible to present it in a form that can be acceptable to England.

I do not think I have misrepresented the objections, the first five of which seem to me to be sufficiently cogent, and to deserve and require most careful answers. The two last are not, as you might suppose, invented by me for the purpose of being easily destroyed. I have heard them seriously brought forward by good economists.

I. I admit that, as a general rule, "it would be impossible—and that, if possible, it would be improper—to fix by law the value, or rather the *price* of any *commodity*"—to say, for example, that wheat shall never be sold at less than 60s. a quarter; and logically, it would seem equally out of the question to ordain that Silver shall never be sold at less than 60d. an ounce. But I think that there is a fallacy in applying this general

rule in the case of a metal used as a standard of value. I *demur*, as the lawyers say: I admit the facts, but deny their applicability to the case.

The *metal* of which the money is composed is indeed a commodity; but when made into money it ceases to bear that character. MONEY *is not a commodity, but a measure of commodities.*

There is then a fallacy in applying the term "value"—the same term as we use in specifying the sum we are willing to give for any commodity—to the ratio which Silver standard money bears to Gold standard money, whether in the same State or under common consent between States.

That money itself is not a commodity is clearly seen, if you consider, with a view to that question, a forced and valueless currency. The money of such a currency may be made of paper, of leather, of any valueless substance; the value of the commodity of which it is made bearing in such cases no relation whatever to the purchasing power of the piece, that is to say, to its accepted value measured in the commodities for which it is exchanged.

The consent of the people, or the authority of the prince, gives to such money an arbitrary course at a certain received rate. The same con-

sent, or the same force, can decree that 15½ coined ounces of Silver shall be accepted as payment for a debt of 1 coined ounce of Gold. Where would be the injury?

The answer to that question which at once suggests itself is: that if its real value be less than its nominal value, the creditor is injured by being obliged to take 15½ ounces of Silver for his debt; whereas if he was paid the 1 ounce of Gold that was due, he could buy 16 or 17 ounces of Silver with it. But as no measure ought to be adopted which would inflict an injury on half the community, it would seem that this answer, if it be a good one, should be conclusive against the departure by England from the policy of having a single metal as a standard of value; but I think I shall presently show, in considering Objection II., that the comparative value of the metals has no real place in the discussion, and that therefore no such injury can be inflicted.

II. "The dearer metal would be exported, and the cheaper metal would take its place, thus causing a loss to the country."

That is to say, so long as the above-mentioned difference of value continued, the desire of making the gain on buying 16 or 17 ounces

instead of receiving 15½ will cause every ounce of Gold to leave the country.

"Of making the *gain*," you will observe; so that, if such an operation were possible under a bimetallic agreement, it may well be doubted whether this result would be a loss to the country at large.

The creditor half of it would suffer loss; but, on the objector's own showing, the debtor would make an equivalent gain.

But I shall show that there could be no such gain, and therefore no such loss; because no such operation would be possible.

It is the export of the dearer metal which is to bring the loss upon us, but what if there be no country to which one can export one's ounce of Gold and buy the 16 or 17 ounces of Silver? What if France (and the Latin Union generally), the United States, Germany, England, and India should be all in one accord in the matter? It is obvious that none of these countries could be denuded of their Gold or Silver by either of the others; and what other country in the world could in any material way affect the position? Could we send our Gold to Mexico, for instance, and buy cheap Silver there? Gold is

for the Mexicans an article of merchandise. You might make a speculation in the export of Gold to that country, and it would probably be a bad one; but supposing that you did so, why should the Mexican sell you or pay you 16 or 17 ounces of Silver for your ounce of Gold when he could himself send 15½ ounces to England, and buy not the ounce of Gold indeed, but the commodities that it would purchase?

It seems to me more than probable that if the chief European countries, with English America and India, joined in such a compact, the others would all follow the lead; so that there would be in effect no divergence between the nominal and real value of the metals as measured in each other; and no debtor therefore could gain in that way any advantage over his creditor.

I should add here the admission that in adopting a twofold standard, and fixing by law an arbitrary ratio of one of the constituent parts of that standard to the other, you *do* incidentally regulate the price of a commodity; but it is only incidentally, and as a consequence necessarily flowing from free mintage, and from what I have, I think, shown to be practicable and reasonable legislation. That is to say, you fix a price in

Silver for that portion of Gold-yield which is used in the arts, and not for the purposes of coinage or currency, and a price in Gold of that portion of the Silver-yield which is used in the arts and not for circulation; but the quantities, whether of Silver or Gold, thus used must be so small as compared with those doing duty as money, that the effect of thus fixing the price is certainly quite insignificant.

III. "Is such a compact as I have spoken of possible?"

Mr. Hubbard, speaking the other day in Parliament, assumed that it was impossible, but no reasons for the assumption appeared in the report of his speech. I do not myself see any impossibility, and I am quite sure that but a few years ago every one would have spoken of any monetary concord between the various States of Germany as at least as improbable and impossible as this.

But why should it *not* be possible? France, Italy, Austria, and the United States would assuredly make no difficulty. The only great stumbling-block lies in the opinions heretofore prevalent in our own country; and if it can be shown that no real disadvantage would attend the

adoption of a twofold standard, I do not see that England would have any inducement to refuse to join in a compact which would confessedly bring some advantage with it, and afford a relief from great existing difficulties.

Germany will indeed probably not be easily persuaded, inasmuch as she will be loth to change a plan adopted so lately and at so great cost; but there are obvious reasons why such a measure as we are discussing should be advantageous to her, and her statesmen are far too keen not to appreciate them.

If England were to set the negotiation on foot, the consent of all would speedily follow.

IV. The fourth objection depends on the statement that "there will always be a preference for Gold." To this statement there is the short but decisive reply, that half the world has now a preference for Silver.

The reasons alleged for the statement can also, I think, be easily disposed of. In point of fact it is *not* cheaper to transmit Gold than it is to transmit Silver, the freight and insurance being *ad valorem*, and the same for either. The bulk either of Silver or Gold is so small as to be of no moment in calculating the freight; and if

there *be* any difference between them, Silver would have the advantage, inasmuch as Gold, by reason of its less bulk, value for value, is more exposed to the danger of robbery.

As to its being preferred because of its being easy to count, that point leads to the inquiry into what practical and material consequences would result from the adoption of a twofold standard by all nations, irrespective of any supposed effect on prices, to which latter point I will advert under Objection V.

Would currencies remain as they are, Gold in England, Silver in India, &c. ?

I answer, certainly they would. Certainly no revolutionary change would be brought about by the admission of Silver into one country and Gold into the other as unlimited legal tender. Every one would be entitled to discharge any debt contracted after the passing of the law, in coins of standard Gold or in coins of standard Silver at his pleasure ; but I see no reason to imagine that the latter would be more ready to his hand than the former, or indeed as ready. No one need fear that he will be in danger of receiving a sack of 5,000 double florins for a debt of £1,000, or of having to hire a porter to carry a bag of Silver

when he has to pay his tailor. I apprehend that all large payments from hand to hand would be made as now by cheque; and all less ones of above £5 by notes; and all smaller ones by sovereigns and the Silver tokens representing parts of a sovereign. Payments in this country in Silver standard coins would be only exceptional. I can imagine no reason why the Englishman should leave the "preference" which he now truly has for a Gold currency, nor the Indian his "preference" for a Silver currency. Those that use Gold for their daily transactions would use Gold still; and those that use Silver would use Silver still.

I presume indeed that the law would provide that debts or other payments, falling due under contracts dated before the law came into operation might be demanded in Gold; but in reality there would be no reason why the debtor under such contracts should ordinarily prefer to pay in Silver rather than in Gold, nor why the creditor should prefer to receive in Gold rather than in Silver, any small sums not payable as usual by cheque or note.

Now suppose a bimetallic law passed to take effect on the 1st of January in any year, so soon

as our new mint was made ready for the change; the actual thing which would happen is this: A shipment of Silver would arrive in course of time from Vera Cruz or some other port of shipment. It would be transhipped as now to Austria or India, or wherever there was a demand; just as a shipment of Gold is when the exchange is against the country, or it has to be exported for any especial purpose. But if there should be no demand either to rectify the exchange or to supply (for example) a paper-using country with a required metal, the Silver would be taken to the Bank of England, and the directors, acting on the altered law, would issue notes against it. Those notes would fall into the reserve of the Bank, and their sterling amount would be at the credit of the bringer, either in his own account in the books of the Bank or in that of his private banker; but as the law of the twofold standard could cause no increase in the quantities of the two metals, there could be no permanent increase in the reserve; nor do I see any reason why Silver should flow to this country rather than Gold. A writer in the *Statist* of June 28th says that being a creditor country, England would always be paid in the cheapest metal; but I think

he begs the question that there would or could be cheapness or dearness between the two parts of an accepted standard of value. Gold and Silver would be parts of the same whole—limbs of the same body—and could not have the same relation to one another that either one of them bears to any other thing not so intimately connected with it.

The result would really be, I think, that the Bank would always hold both Silver and Gold bullion, and that the amounts of the two metals so held would be always varying, not by reason of any imaginary cheapness or dearness of either metal, but according to the varying condition of the balance of trade of the Silver-using or Gold-using countries respectively in relation to England.

The Silver received by the Bank would for the most part remain in the vaults, but some would be sent to the Mint to be coined into standard money, call them double florins or dollars, or what you will, in case it should be necessary to pay out any quantity of the new coin to the public; but as I have said above, no great amount of it would be likely to go into active circulation.

The writer in the *Statist* suggests that commu-

nities might resist, though governments might agree to, a twofold standard; and thus the measure, he says, would be impracticable; but I think I have shown that communities would not need to change, and would not change the circulating money, whichever it might be, for which they severally had a preference. His reasoning would be more applicable if the "large payments" to which he refers were really settled in coin.

The real difference that would result from a bimetallic law would be in international payments —in shipments of bullion to rectify the balance of trade between ourselves and other countries. The Bank of England would, as I have already said, hold Silver as well as Gold; and such shipments would be made in either metal at the option of the payer; but if made in coined metal, they would be made, as now, by weight and not by tale, so that the labour of counting will not enter into the question.

V. "A twofold standard once established, any great influx of Silver from the mines would dangerously disturb prices."

This objection was one of the arguments brought forward by Mr. Hubbard in the speech to which I have referred; and I suppose my learned

colleague (Dr. Broch), whose opinion you quote on page 7, meant to imply the same thing, though he seems to say that this danger would arise from unlimited coinage. The effect would be in fact produced by increased production *and* unlimited coinage. The latter alone could have no such consequences.

It is unquestionable that if England had a Silver as well as a Gold standard, the working of new mines of Silver, and the production of an additional quantity of that metal would have the result of enhancing prices; and if the quantity was very large and its production very sudden, the consequences might be severely felt.

But what if she adheres to her single standard, and the additional production be of Gold instead of Silver? That which has been, (*e.g.* 1851 and onwards) may be again; and there can be no possible ground for saying that Silver *will* be found, and Gold will *not*. But if Gold be found again in extraordinary quantities, then the flood would pour over half the world—the Gold-using half—and the immediate effect which Mr. Hubbard justly fears would be twice as great as if the flood were spread over the whole world, and affected equally the whole mass of currency, as it would

certainly do if the Gold and Silver composing the mass were joined together in a bimetallic union.

What is the case at this moment, when there has been a flood of Silver, and that a double one, flowing from the increased yield of the mines, and from the demonetization of Silver by Germany? Silver is necessarily depreciated, and prices enhanced throughout all the Silver-using nations, and not only is the effect twice as great because the area over which it extends is but half the commercial world, but it reacts—as we see only too clearly exemplified at present—on the trade of the Gold-using nations.

I conclude therefore that this fifth objection is quite irrelevant to the question of a double standard, the danger which it suggests being at least as great under the present law as it could be under a bimetallic system of currency.

But I may advert to two other objections which are closely connected with this last, and are indeed branches of the same subject.

The first is, that the very fact of raising the value of Silver (if such a ratio of Silver to Gold as would have that effect should be fixed under a bimetallic agreement) would give such a stimulus to the working of the mines all over the world

that this apprehended flood of Silver would really and inevitably come upon us.

To this I reply that if indeed there are any mines which have been abandoned because of the fall of Silver from 5s. an ounce to 4s. 3d. or thereabouts, then a return to the price of 5s. might bring them again into bearing and so increase production; but I believe there is no evidence of any such abandonment, a much less price than 4s. 3d. being sufficient to make the working of all but perhaps a very insignificant number of workable mines remunerative.

The second of these subsidiary objections is that a return to a 15½ ratio of Silver to Gold would at once, and in itself, bring a wave of that flood upon us, and it must be admitted that if the true ratio is now 18 to 1, a return to 15½ would be an apparent depreciation of the existing mass of currency, or, in other words, that prices would be proportionately enhanced; and that inasmuch as England is a creditor country, the balance due to her would be paid in the depreciated currency.

I answer, first, that the evil effect, even on such a calculation, would be rather nominal than real; and secondly, that to take 18 or any such ratio as a basis for the calculation is mis-

leading, because it does not represent the real proportion between the Silver in the world and the Gold in the world considered as coin. The figure 18 is founded on the present price of Silver; but what is it that has caused the fall in that price? Demonetization almost wholly; and Remonetization would raise it again to its former level. If so, it is most probable that in fixing the ratio at or about 15½ there would be little or no divergence from the actual proportion, and no such evil as this objection contemplates would come upon us.

What we hope for from the establishment of a double standard is not a bettering of the ratio of Silver to Gold, but stability in the ratio that may be fixed by common accord, and the removal of one element of disturbance in the exchanges.

VI. "Our sixty years of prosperity."

This is one of the arguments that we *quondam* protectionists were so fond of using; but it will scarcely be held to be more conclusive in favour of a single standard than it was in favour of a protective duty on coin.

For, first, it will need to be shown that our prosperity was influenced for good by our having a single metal as our medium of exchange, and

not rather by our maintaining an uncorrupted standard of a certain fineness. Whatever benefits may be set to the account of an honest coinage might equally have been produced by it if it had consisted of Silver as well as Gold.

Secondly, I must add that those who use this argument seem to take no account of change of circumstances. England has prospered for about sixty years, they say, *i.e.* since 1816. But what of the last three years or thereabouts? England suffered nothing from her single Gold standard, notwithstanding her relations with other countries where a single Silver standard prevailed, so long as France kept open a door of escape; but now that the aid of France is no longer afforded to us, our prosperity has not been so exemplary as to provide a very helpful argument to the advocates of a single standard.

Those, on the other hand, who dare to advocate a twofold measure of value, find a formidable stumbling-block at their feet in the great authority of Lord Liverpool and of the eminent men whom he quotes.

His "Treatise on the Coins of the Realm" is the foundation of our present system of money, and must be allowed to be theoretically perfect,

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and, if no altered circumstances are taken into account, full of practical excellence.

He proved to the satisfaction of the Government of his day—

I. That coins which were to be the measure of property should be of one metal only.

II. That that metal should be Gold.

III. That the other coins should be as they now are, tokens; or, as we may call them, notes, representing parts of a sovereign, and made of metal instead of paper.

In support of the first proposition he adduces the authority of Sir William Petty, Mr. Locke, and Mr. Harris; but as he sets aside the opinion of Mr. Locke that Silver should be that one metal, on the ground that circumstances had so much altered that this opinion was no longer tenable, and thinks that Locke, had he lived then, would have been of that mind also, so I venture to think it not impossible that, if Lord Liverpool had lived in this age, he might have recognised that his first proposition, excellent in theory, might carry with it in practice, under altered circumstances, inconveniences which would demand a remedy; and I think I shall prove that the main reason which he adduced in support of it has, on his own showing, disappeared.

The reasoning which was applicable to England as a single nation may be thought to be applicable, in the more developed condition of commerce, to the whole commercial world. If it was desirable that the measure of value for England should be one, and one only, so that all men who traded with one another should know exactly what it was they were to receive for their wares, so is it also now desirable that the measure of value should be one for the nations forming the whole world of commerce, who, far more than in Lord Liverpool's time, may be said to be one community. But unity of money, in the sense of causing a single metal to suffice for all, has been shown to be an impossibility, both by reason of the preference of nations for one or other of the metals now used, and of the insufficiency of either one alone to provide for the needs of all. Is it not, then, our best resource to approximate as nearly as possible to unity by causing the two metals, under prescribed regulations, to perform together the service of a metallic standard for the world? In point of fact the world is already bimetallic; but it is an unregulated and haphazard bimetallism which prevails among us; and I must believe that a

due regulation of it is both possible and desirable.

I have shown that the "traffic in coins," which is the chief inconvenience attaching, in Lord Liverpool's opinion, to a bimetallic measure of property, would be, under such regulation, impossible.

I will now show where that which Lord Liverpool sets forth as his main argument has come to be no argument at all.

His words are very remarkable. He says:— "There is no circumstance that more clearly proves and illustrates the truth of this principle, 'That coins which are to be the principal measure of property can be made of one metal only,' than the practice which (he says) exists in some foreign countries of making bills payable in bank money, that is to say, in *recepisses*, receipts or notes given by the banks in return for Gold or Silver bullion . . . placed by individuals in their custody," which receipts "are regulated by and represent some one of the national coins current according to the standard of the mint," so that they have and retain an undisputed value, and have come to be the fixed standard or measure according to which great payments are made.

He goes on to say that in Great Britain no such establishment has ever existed—that one such bank would not suffice, and that the establishment of many would be inconvenient—that Great Britain scarcely needs such a system, inasmuch as unauthorised foreign coins rarely enter it to serve as currency, and the coins of the realm are therefore necessarily the instruments of commerce, and the only legal tender whether to natives or foreigners; "and from thence," he says, "results the necessity in this country of having coins made of one metal only, which should serve as an invariable measure, . ." &c.

He appends a note saying that it is unnecessary to advert to the Acts making Bank of England notes temporarily legal tender during suspension of cash payments, "as that is not part of our recognised monetary system."

It is hardly necessary for me to point out how entirely all this has changed.

The exact system to which Lord Liverpool refers as non-existent, is and has long been established in Great Britain, the notes of the Bank of England being issued practically as receipts for bullion, being legal tender and serving to make all those great payments to

which he adverts, except where the use of the notes is again economised by the employment of cheques and other expedients of trade.

So then, as that system, from the absence of which resulted, in Lord Liverpool's opinion "the necessity of having coins of one metal only" is fully established amongst us, I think I have shown cause for believing that the other considerations which I have mentioned might have been of sufficient weight to have led him to allow that circumstances might occur, and had now occurred, which should make it now necessary for the well-being of English commerce, that theoretically excellent as his system is we should now in some measure depart from it.

There is one suggestion in your paper which does not commend itself to me. You say, on page 26, that supposing a double standard to be established on a fixed ratio between the two metals, and supposing such a variation in the production either of Gold or Silver to occur hereafter as to render a change in that ratio desirable, there is nothing to prevent such a change being made.

Now, I cannot see that such a change could be at all necessary even if no objection existed; and

I think that if for any reason it should hereafter appear desirable, the objections to a change would be so great as wholly to outweigh any supposed advantage.

First, there would be no need for it.

The question of price and value does not, as I have shown, enter into the relations of two metals, parts of a metallic standard of value. Gold and Silver would be as one metal; and the only effect of an increased production of one constituent of the common mass would be an enhancement of the price of commodities, an enhancement which, in the nature of things, must be gradual, and proportionate to the gradual increase of production; and to this the daily transactions of trade would adjust themselves without sudden or violent disturbance.

Secondly, the intrinsic danger and injustice of a change would be great.

Whatever ratio we now fix, whether $15\frac{1}{2}$ or 16 (and I assume that the concurring nations would fix such a ratio as would correspond not to the existing price of Silver, but to the relative condition of the two metals when the disturbance of demonetization had been finally removed), no practical injury is done to England. If we fix

it too low or too high, the interest of a score of holders of Silver will be slightly affected. That which they now hold as a commodity would be to a trifling extent raised or lowered in price, and there would be an end.

But a twofold standard once established, Silver becomes a money of the realm; and if we could suppose, for example, that the true proportion of Silver to Gold had come to be 20 to 1 instead of 15 to 1, and it should be decreed that the legal ratio should be changed accordingly, then the whole mass of Silver coin and bullion held in the country would be reduced in value by one fourth, and the holder mulcted to that extent.

It may be answered that the purchasing power of the total quantity of coin and bullion, though representing a less sum in pounds sterling, would be the same as that which it had before the change. True; its purchasing power would gradually become the same, but meanwhile every debtor, whether bank or private person, would have to pay his full debt to his creditor, and would find himself mulcted of one fourth of so much as he held in Silver.

It needs but to mention the inconvenience which the mere apprehension of impending

change would cause, if such change were supposed possible, to show that if England once resolves on such a change as the adoption of Silver as a joint standard with Gold, it must surely be adopted once for all, and with no *arrière pensée* of future changes to and fro according as one or the other metal might seem to be relatively more abundant.

I will now bring this long letter to a close. I have expressed in it conclusions which differ very widely from the spirit of the Report of the Proceedings of the Paris Conference presented to the Government by my colleagues and myself. I fully concurred in that report; but the more I have, since then, thought over the subject of the Conference, the more have I been led to distrust some part of our reasoning, and to doubt in part the wisdom of the conclusion to which we came.

In no case was it to be expected that the Conference would have simply affirmed the original resolutions of the commissioners of the United States. Indeed the evil from which we suffer had not at that time pressed so strongly upon the minds of Englishmen as it has since done, and public opinion was less prepared than I think it now is, to look with favour on any change which

might promise to alleviate it; but I incline to think that the Conference might have been a starting-point for negotiations for an international accord which should cut the root of the evil.

I believe I have in this letter adduced arguments for such a policy which have not been brought forward before in so compendious a form; and I hope that I have at any rate shown cause why the matter should not be summarily dismissed in the words of Objection No. VII., that "It is impracticable, and cannot be made acceptable to England."

I have tried to show that it is practicable; and that though a universal monometallism would be better if it was possible, no such possibility exists; that though England has flourished long, trusting in her Gold monometallism, there was a cause which enabled her to do so, a cause which no longer exists; and that, even granted that there would be inconvenience in surrendering our single standard, there may be a greater inconvenience still in remaining as we are.

I hope therefore that some one will show me, by arguments more cogent than those that have yet been used, wherein consists the impracticability, and what other reasons there are, beyond

a belief in the invincibility of prejudice, which should make one sure that a change can never be made acceptable.

I am, my dear MR. CAZALET,
Yours truly,
HENRY H. GIBBS.

August 23rd, 1879.

P.S.—Since writing this letter I have seen that it is stated on good authority that Germany has not only suspended her sales of Silver, but has put her thalers again into circulation; and is desirous of joining a Conference of the leading nations with a view to the joint adoption of a double standard.

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